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THIS IS UNEVALUATED INFORMATION

1. The Kapnar Cotton Works, National Corporation, located at Vichova nad Jizerou, is directed by the following personnel:

- a. Vaclav Volf, plant manager, who was formerly a technical employee at the Czech Textile Enterprises (CTZ) in Prague. Although a Communist Party member since 1945, he is inclined to support the reactionary side and is disliked by the cadre manager (political security officer) Antonin Stepan, by the District Committee of the Communist Party at Jilemnice, and by the County National Committee at Liberec. Volf apparently has good friends in the Central Committee of the Communist Party in Prague.
- b. Antonin Stepan, cadre manager. He is hated by all employees in the factory for his sly activities on behalf of the party. Sometime during 1950 he was purged from the District Committee of the Communist Party because he employed reactionaries in the management, but he is still a member of the National Committee in Liberec.
- c. Josef Krysnar, production manager. He joined the Communist Party under compulsion in March 1948 at Broumov. Recently he was accepted as a candidate for one year.
- d. Zdenek Svoboda from Gendly, chief of the economics department and a former employee of the Bata enterprise. He was a member of the Communist Party from 1935 to 1948, when he was purged at Varnsdorf because he did not approve of the coup of February 1948.
- e. Frantisek Hofman, chief of the commercial administrative department and also a former Bata employee. He is not pro-Communist and he is a one-year candidate for Communist Party membership. Formerly he cooperated with the National Socialist Party.
- f. Vladimir Hladik, chief of the planning department. He is 26 years old, a Communist Party member since 1945, and the only leading employee whom cadre manager Stepan trusts.

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CENTRAL INTELLIGENCE AGENCY

25X1

25X1

-2-

- g. J. Fiserá, security officer; he is a manual worker and a reliable Communist Party member. He was nominated in 1950 by the District National Committee at Jilemnice.
- h. Miroslav Exner, head of the control and revision department. He is an expert in his work, but it is not believed he will retain his position and he is expected to be replaced at the earliest opportunity. He is not a member of the Communist Party. One of the most dangerous Communists in the Kapnar management has been assigned to Exner's department, namely:
 - i. Frantisek Havlicek from Vichova. He returned from military service as a political education officer with the rank of sergeant and is probably intended to be the successor to Exner. He is a paid agent of the Communist Party in Liberec and a ruthless member of the party. He is introducing a workers' militia into the enterprise. His daily tasks consist of eavesdropping in all the departments and writing denunciations for the use of higher Communist circles.
 - j. Koldovsky from Ponikla nad Jizerou; he came into the organization in October 1950 as educator of the Communist Party cadres. Like Havlicek, he returned from a two-year military service and he attained the rank of political education "lieutenant".
2. Of the 90 employees in the Kapnar works, seven are reliable Communists, 14 are unconvinced party members, and the remainder are reactionaries.
3. In 1949 Kapnar owned 17 plants. Towards the end of that year the Jilemnice plant, formerly the Frantisek Kubanek plant, was liquidated. Technolen, the largest weaving factory in the district of Jilemnice, is to be transferred to the Jilemnice plant, and the Technolen factory is to be converted to an armament plant. In July 1950 the Vilemov plant was turned over to the wood industry, Tofa, a national corporation with its management at Albrechtice, for the Rokytnice plant. In October 1950 the plant at Burany was abolished in accordance with the industrial reorganization. About the end of 1950 plant No. 12 at Ponikla and plant No. 15 at Ryzoviste near Harachov will be abolished. The Ministry of National Defense is interested in the buildings of the Ryzoviste plant which are to be used as living quarters for laborers and research workers because uranium has been discovered in that area.
4. The remaining Kapnar plants had been instructed to increase their quota for the fourth quarter of 1950 by 25 percent and to introduce a second shift for that purpose. On 19 October 1950, the management was ordered to reduce the plan by about 8-10 percent. It has been confidentially announced from Prague that the 1951 production of textiles, for political reasons, will be reduced to about one-half of the present production. Therefore, the abolishing of additional plants is certain to take place although it is not yet known which plants will be affected. A commission has already inspected the former Goidner & Hanaey plant, which is the largest plant in Rokytnice, in order to determine the cost of converting the plant for the metal industry. At present, however, the plant is designated as one of "textile evolution" (sic) and three of its halls are being equipped with automatic machinery valued at millions of crowns. It should be noted that the R. Hanaey plant had been converted for the metal industry during the German occupation.

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25X1

25X1

-3-

5. At present the Kapnar enterprise is composed of the following factories:

- a. Vichova nad Jizerou
- b. Hrabacov
- c. Vitkovice
- d. Martinice
- e. Roztoky, I
- f. Roztoky, II
- g. Ponikla (weaving plant)
- h. Rokytnice (Goldner-Harney)
- i. Horni Rokytnice
- j. Dolni Rokytnice
- k. Sklenarice
- l. Ponikla (spinning plant)
- m. Vysoke nad Jizerou
- n. Ryzovice
- o. Dolni Stepanice (manufacture of clothing)

6. The quality of the goods produced by the factories is becoming increasingly inferior as a result of the poor quality of the raw materials which are imported mainly from the USSR. About 40 percent of the total production is exported, and the remainder is either sold to the USSR at reduced prices or else goes for home consumption. About 35 percent cotton is used in production, and the rest is a mixture, mostly of artificial substances.

7. From 2 to 7 October 1950, production in all plants averaged 63.6 percent, and the following week it was 72.9 percent. Under present conditions it is not possible to carry out the production planned for the fourth quarter of 1950 because of the lack of manpower which had been promised but which had not been assigned to the textile industry as a result of political events. The quota for the period between 1 January and 15 October 1950 was completed 96.8 percent.

8. As of 1 October 1950, the Kapnar enterprise had the following stocks on hand:

- a. Raw materials consisting of raw cotton, cuts, and mixtures of cotton and cuts at the Ponikla weaving plant, amounting to 44,000,000 Kcs.
- b. Yarn in crates and being processed, 82,000,000 Kcs
- c. Finished and unfinished goods, 75,000,000 Kcs
- d. Materials for auxiliary production, 18,000,000 Kcs

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CENTRAL INTELLIGENCE AGENCY

25X1

25X1

-4-

9. Much chaos has been caused by the fact that as of 3 October 1950 goods are invoiced by the factory to the finishing works, which invoices the goods back to the factory, and then the factory in turn invoices the goods to the purchaser. This procedure is to be maintained until 31 December 1950. Beginning 1 January 1951, the goods will be invoiced by the factory to the finishing works, which will sell the finished goods directly to the purchaser. In the meantime large stores are to be set up in the managements of the finishing works to handle such duties. For instance, there is to be one large store at Kolara, a national enterprise at Liberec, for the entire county.
10. The economic achievements of Kapnar have been very poor. From the time of its nationalization in October 1949 to the end of that year, it experienced a net loss of 7,350,000 Kcs. From 1 January to 30 September 1950, the loss was 12,875,000 Kcs. The greatest part of these losses results from the price concessions made on shipments to the USSR because the latter buys at world prices and not at Czech prices. These losses are evident in spite of the fact that the Czech Textile Enterprises in Prague compensates for some of them. In addition the estimate of administrative expenses is not sufficient to cover the cost of maintaining the growing number of administrative staff members. A third factor is the constant change in the evaluation of stocks at the warehouses.
11. In October 1949 the credit of Kapnar with the State Bank was 30,000,000 Kcs. It now amounts to 142,000,000.

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